

MICROENTREPRENEURS, MICROFINANCE, AND BUSINESS TRAINING: CASES FROM CHILE

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SELF & OTHER

ABSTRACT: This project will be focusing specifically about the case of Chile and the various organizations aimed to assist entrepreneurs. I aim to use the data and theories of microfinance and small business development to evaluate the efficacy of Fondo Esperanza and Acción Emprendedora, organizations aimed to assist microentrepreneurs by providing them the tools necessary to run a successful business.

WHO ARE MICROENTREPRENEURS?

- Entrepreneurs operating a microenterprises, which employs less than 10 people
- In developing countries most microenterprises are family operated by one or two individuals; often these businesses operate in the informal sector.
- Engage in entrepreneurial activity out of necessity as a way to put food on the table
- Obstacles they face in developing countries: **lack of education, access to money** and adequate information

WHY CHILE?

- Chile is ranked as a high income economy with a GDP per capita (PPP) of \$21,911.3 in 2013.
- Chile has the highest score in social inequality out of the 34 countries in the (OECD)
- the average net adjusted disposable income of the **top 20%** is an estimated \$38,697 USD a year, in contrast you have the **bottom 20%** that live off an estimated \$2,983 USD a year

WHAT IS MICROFINANCE & BUSINESS TRAINING?

MICROFINANCE

- Providing financial services to the poor (e.g. loans, savings, insurance and microcredit loans)
- Microcredit loan is a small amount of money lent to an individual or as a group loan.
- Aimed to prevent exploitation of low income individuals by money lenders
- Allows the poor to put into practice the innate skills they have

VS

BUSINESS TRAINING FOR MICROENTREPRENEURS

- Microentrepreneurs are given business training, consulting services
- Based on the idea that microentrepreneurs in developing countries lack business education necessary for success.
- Widely used by nonprofits to assist microentrepreneurs and empower women.
- Aimed to achieve economic self-sufficiency & better manage business and increase profit

FONDO ESPERANZA

- Founded in 2002, is an institution established by BBVA Microfinance Foundation and Hogar de Cristo.
- About 90% of the borrowers from Fondo Esperanza are women.
- As of December 2014 they have 92,605 clients and \$43 million USD in loan portfolio; their average loan is \$597 USD.
- Mission is "to support women and men entrepreneurs from vulnerable sectors through services of microcredits, capitalization and networks, with the objective to improve the living conditions, of families and communities.
- The integral services that Fondo Esperanza offers their microentrepreneurs are microfinance products, capitalization and support networks.

AFTER 2 YEARS & HAVING RECEIVED 6 CREDITS, INCOME INCREASED BY 50%



ACCIÓN EMPRENDEDORA

- Formed in 2002 with the mission of, "Serving entrepreneurs for the development of Chile."
- Half of the participants make an estimated monthly income of \$190 USD per person
- Four methods of assisting are through entrepreneurial awareness, entrepreneurial training, consulting and incubation services.
- Assist more than 3,000 people each year

ISSUES

- Follow-Up issues
- Entrepreneurs fail to stay engaged with the courses
- There is no study as to why only half of participants increase profits
- Lack of communication with participants during preliminary and post-surveys



50.4% OF THE PARTICIPANTS HAD AN INCREASE IN SALES



TAKEAWAYS

- Understand the microentrepreneurs needs
- Research resources available to entrepreneurs and use them to your advantage
- In order to assist microentrepreneurs it is important to establish a relationship with them
- Long term follow up post -courses
- Provide an opportunity for participants to establish networks
- Microentrepreneurship is more than just economic self-sufficiency but also self-empowerment



1.73 MILLION ENTREPRENEURS IN CHILE